



U.S. Department of Agriculture
Foreign Agricultural Service
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Permanent Normal Trade Relations with China **What's at Stake for Wisconsin?**

Wisconsin is a major producer and exporter of agricultural and forest products. The state's farm cash receipts and forest product shipments totaled \$6.2 billion in 1998 and \$2.8 billion in 1996, respectively. As for exports, Wisconsin ranked 14th among all 50 states, with the value of agricultural products leaving the state estimated at \$1.3 billion in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Trade Benefits

The following key products are important to Wisconsin, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

Feed Grains—As a large feed grain producer, Wisconsin's feed grain and product exports worldwide were estimated at \$260 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.

Vegetables—Wisconsin is an important producer of sweet corn, green peas, snap beans, and other vegetables, with fresh and processed vegetable exports worldwide estimated at \$227 million in 1998. Under its WTO accession agreement, China's tariffs on vegetables will drop up to 60 percent, depending on the product, by 2004. For example, existing tariffs of 16 percent on lettuce and 13 percent on broccoli, celery, frozen sweet corn, and mixed vegetables will fall to 10 percent. Tariffs on canned tomato paste will fall from 25 percent to 20 percent. Deeper cuts are planned for canned sweet corn and tomato ketchup. Tariffs on these products, now set at 25 percent and 30 percent, will fall to 10 percent and 15 percent, respectively.

Dairy Products—As a major dairy state, Wisconsin's dairy product exports worldwide were estimated at \$220 million in 1998. China's dairy product consumption is rapidly increasing due to rising incomes and government promotion. China's milk production is also growing, but the



domestic dairy sector is not expected to keep up with the growth in demand. Under its WTO accession agreement, China will cut its tariffs on selected dairy products by 2004. Specific reductions include: selected cheeses (from 50 percent to 12 percent); lactose (from 35 percent to 10 percent); and ice cream (from 45 percent to 19 percent). In recent years, the United States has supplied approximately one-fifth of China's dairy imports.

Beef and Pork—Wisconsin's live animal and red meat exports worldwide were estimated at \$173 million in 1998. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. China consumes far more pork than any other country, but its trade barriers have effectively closed its market to imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef cuts, and from 45 percent to 25 percent on chilled beef, by 2004. It will also cut its tariffs on frozen pork cuts and beef and pork offal from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef and pork from the United States that is certified wholesome by USDA.